

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

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R 301004Z APR 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 9722

LIMITED OFFICIAL USE KAULA LUMPUR 2323

E.O. 11652: N/A

TAGS: ENRG, MY

SUBJ: MALAYSIAN PETROLEUM

YESFBLOPMQAT#(AMENDMENT) ACT

REF: KUALA LUMPUR 2197

1. SUMMARY. TENGKU RAZALEIGH, CHAIRMAN OF PETRONAS (NATIONAL OIL CO.), STATES IN PRIVATE CONVERSATION THAT HE AND PRIME MINISTER WERE RESPONSIBLE FOR DRAFTING AND PASSAGE OF PETROLEUM DEVELOPMENT (AMENDMENT) ACT; THAT MANAGEMENT SHARES PROVISION WILL BE APPLIED ONLY WITH RESPECT TO EXISTING OIL COMPANIES BECAUSE PETRONAS WILL HAVE MAJOR EQUITY POSITION IN FUTURE PETROLEUM PROJECTS; AND THAT HE IS FIGHTING FOR HIS POLITICAL LIFE IN UPCOMING JUNE UMNO ELECTIONS. CALTEX MANAGER SAYS HIS COMPANY WILL "WAIT AND SEE" HOW ACT IS IMPLEMENTED BEFORE MAKING ADDITIONAL INVESTMENTS IN MALAYSIA. END SUMMARY.

2. AMBASSADOR INVITED MANAGER CALTEX (MALAYSIA) TO EMBASSY APRIL 28 FOR EXCHANGE OF VIEWS AND UPDATING ON RECENT
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DEVELOPMENTS RELATED TO PETROLEUM DEVELOPMENT (AMENDMENT)

ACT. AMBASSADOR OUTLINED HIS RECENT ACTIONS (REFTEL), AND REITERATED THAT IN OUR VIEW ACT IS POLITICAL MOVE BY RAZALEIGH INSPIRED BY UPCOMING UMNO ELECTIONS IN JUNE.

3. CALTEX MANAGER SAID HE MET LAST WEEK WITH TENGKU RAZALEIGH WHO MADE FOLLOWING COMMENTS:

A. PM RAZAK AND RAZALEIGH WERE RESPONSIBLE FOR DRAFTING OF ACT WHICH WAS HELD IN STRICTEST SECRECY BETWEEN THEM. TOGETHER THEY ALSO WORKED OUT TACTICS FOR MOVING ACT THROUGH GOM CABINET AND PARLIAMENT IN MOST EXPEDITIOUS MANNER. RAZALEIGH DID NOT GIVE REASONS AS TO WHY ACT WAS SHROUDED IN SECRECY AND USUAL GOVT PROCEDURES ON REVIEW OF NEW LEGISLATION SHORT-CIRCUITED.

B. MANAGEMENT SHARE PROVISIONS OF ACT WILL BE APPLIED ONLY TO EXISTING OIL COMPANIES IN MALAYSIA. RAZALEIGH STATED THAT FOR ALL NEW PETROLEUM PROJECTS PETRONAS WILL HAVE LARGE EQUITY POSITION (PRESUMABLY CONTROLLING INTEREST) FROM START, THUS THERE WILL NOT BE ANY NEED FOR MANAGEMENT SHARE DEVICE IN FUTURE. CALTEX MANAGER GAINED IMPRESSION FROM CONVERSATION THAT MANAGEMENT SHARE PROVISIONS OF ACT WILL BE IMPLEMENTED ONLY WITH RESPECT TO OIL REFINING COMPANIES IN MALAYSIA, I.E., SHELL AND ESSO (THESE ARE ALSO LARGEST OIL DISTRIBUTION COMPANIES. SHELL HAS ABOUT 45 PERCENT OF RETAIL MARKET; ESSO HAS APPROX. 30 PERCENT.)

C. RAZALEIGH STATED OPENLY THAT HIS POLITICAL FUTURE IS ON THE LINE IN UPCOMING UMNO ELECTIONS IN JUNE AND THAT HE HAD TO TAKE ALL STEPS NECESSARY BETWEEN NOW AND THEN TO ENHANCE POSITION AND BUILD SUPPORT AMONG PARTY MEMBERS.

4. CALTEX MANAGER SAYS HIS COMPANY'S POLICY AT THIS TIME IS TO "WAIT AND SEE" HOW ACT IS IMPLEMENTED. CALTEX HAS PENDING BEFORE PETRONAS A PROPOSAL TO BUILD US DOLS 100 MILLION PETROLEUM REFINERY; PROPOSAL WAS SUBMITTED IN NOVEMBER 1974. CALTEX IS PRESENTLY UPDATING COST LIMITED OFFICIAL USE

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FIGURES CONTAINED IN PROPOSAL. CALTEX INTENDS KEEP PROPOSAL PENDING, BUT DOES NOT PLAN ADDITIONAL INVESTMENTS EITHER ON PROPOSAL OR DISTRIBUTION OPERATIONS UNTIL PETRONAS CLEARS AIR ON IMPLEMENTATION OF ACT.

5. COMMENT. ABOVE INFO TENDS TO CONFIRM FEEDBACK FROM OTHER SOURCES THAT ACT IS POLITICAL MOVE TO STRENGTHEN RAZALEIGH'S POSITION IN UPCOMING ELECTIONS FOR VICE

PRESIDENT'S SLOT IN UMNO. EMBASSY EXPECTS OTHER OIL
DISTRIBUTION COMPANIES IN MALAYSIA TO ADOPT SIMILAR
"WAIT AND SEE" POLICY AS CALTEX.
UNDERHILL

NOTE BY OC/T: # AS RECEIVED.

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